



May 11, 2012

Ms. Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, S. W.
Washington, D.C. 20554

**Re: WC Docket Nos. 10-90,07-135,05-337,03-109; CC Docket Nos. 01-92, 96-45;
GN Docket Nos. 09-51
Written Ex Parte Communication**

Dear Ms. Gillett:

Southern Montana Telephone Company ("SMTc"), a rate-of-return incumbent local exchange carrier in Montana, hereby notifies the Federal Communications Commission ("FCC") of its intent to seek waiver of rules limiting the total high-cost funding to \$250 per line per month ("\$250 cap").

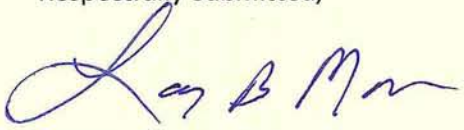
With less than 0.5 subscribers per square mile served, an average loop length of 1.97 miles, and numerous loop lengths over 8 miles, SMTc is one of the most rural areas of Montana, indeed the nation. In 2006 SMTc recognized the need for broadband service and began the build-out of a fiber network to provide reliable voice and broadband services to its subscribers. SMTc and its consultants have been working to determine the adverse financial impact the \$250 cap will create. However, the continuing ambiguity in the FCC's new rules makes it impossible to determine the revenue loss in future years if SMTc continues its network upgrade. The unpredictability of support has forced SMTc to suspend investment in rural broadband, placing our upgrade on hold to the detriment of our subscribers in addition to the jobs lost as a consequence of curtailed construction.

In order to fund the network upgrade, SMTc applied for loans from the Rural Utilities Services (RUS"). Our plans were scrutinized by RUS to determine whether the capital improvements were justified and whether those loans could be repaid. Relying on existing rules, SMTc affirmatively demonstrated this and construction consistent with RUS standards began. Implicit in RUS approval was that the proposed network improvements were necessary to further the objectives of the Telecommunications Act of 1996 to provide comparable service at comparable rates to rural parts of the country, and that the improvements were not "wasteful and imprudent". Now, due to the FCC's action forcing a halt on our upgrade, SMTc is unable to provide all of its customers comparable services.

Accordingly, "good cause" exists for SMTc to file for a waiver of the \$250 cap and "good cause" would exist for the FCC waiving implementation, pursuant to 47 C.F.R. § 1.3. The waiver process would be expensive for a company our size, especially since the expense would necessarily be charged to "Corporate Expense" which has its own cap potentially exacerbating the problem. However, SMTc has no other option but to pursue a waiver considering the magnitude of anticipated lost federal universal

service funding, which will impair our ability to repay RUS loans. Therefore, it would be in the public interest to waive this rule if adopted.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Larry B. Mason". The signature is fluid and cursive, with the first name "Larry" being more prominent than the last name "Mason".

Larry B. Mason
Vice-President and General Manager

cc: Senator Max Baucus
Senator Jon Tester
Congressman Denny Rehberg
Administrator Jonathan S. Adelstein, RUS